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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

UNL1612 – CONTRACT LAW 1

(All Sections/Groups)

13 OCTOBER 2018

Reading Time : 9.00 a.m – 9.15 a.m
(15 Minutes)

Answering Time : 9.15 a.m – 12.15 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. Students will have **fifteen minutes** during which they read the paper and make rough notes **ONLY** on their question paper. Students then have the remaining **THREE HOURS** in which to answer the question.
2. This Question paper consists of 3 Pages and 5 Questions only.
3. This Question paper consists of 2 sections. Attempt **ONE** question only in **Section A** and all **THREE** questions in **Section B**. All questions carry equal marks and the distribution of the marks for each question is given.
4. Students are allowed to bring into the examination hall **CLEAN** and **ORIGINAL** copy of:
 - i. **Contracts Act 1950 (Act 136)**

“Clean” is defined to include no tagging, no annotation either by the publisher or anyone else, and no erased marking. Highlighting and underlining are also prohibited.
5. Please write all your answers in the Answer Booklet provided.

SECTION A (Answer one Question only)**QUESTION 1**

- (a) Matahari Bank advertised for an auction of a terrace house in Kajang. The date for the auction was set for 20th August 2016. Riz attended the auction but noticed that there was no terrace house being auctioned on the day of the auction. Riz was told later that Matahari Bank had withdrawn the terrace house from the auction. Later, Riz decided to bid for a bungalow house at the auction. He was the highest bidder, but Matahari Bank suddenly decided not to sell the bungalow to Riz. Matahari Bank claimed that there is no contract for the reason that Riz has not paid the deposit of the bungalow.

Advise Riz whether there is a contract between him and the Bank under the contract law of Malaysia.

(10 marks)

- (b) For acceptance to be effective, it must be communicated. Explain the various modes of acceptance recognised under the Contracts Act 1950 (Revised 1974) and the Common Law. Support your answers with reference to decided cases.

(15 marks)

(Total: 25 marks)

OR

QUESTION 2

- (a) The intention to create legal relations is one of the required elements of any contract formation. Discuss the legal issues that affect the intention to create legal relations in social and domestic agreements. Support your answers with the decided cases.

(10 marks)

- (b) In August 2016, Sarah bought a car from Jackson for RM30,000. Both parties had agreed to be paid in two instalments of RM15,000 each. However, Sarah did not pay the second instalment when it was due because she lost her job in September 2016. Sarah never disputed that she owed Jackson the second instalments. Jackson felt sorry for Sarah. He told her that if she paid him half of what she owed him by the following Thursday, he would waive the rest of the payment. Sarah paid him the RM7,500 on the following Thursday. Sarah gave Jackson a basket of fruit "in consideration of his kindness".

Continued...

On Friday, Sarah was informed that she had been successful in one of her job applications and would be starting work in November. Jackson heard about Sarah's new job and realised that she is likely to be earning more than him. Jackson now wishes to claim the rest of the money which she had originally agreed to pay. Advise Jackson.

(15 marks)

(Total: 25 marks)

SECTION B (Answer all Questions)

QUESTION 3

- (a) Robin went to Albert, a second-hand car dealer, to buy a car. Albert showed a list of the second-hand cars to Robin and recommended a Lotus 1975 which he said was in tip-top condition and a better car than other cars. After a trial run, Robin showed the registration book of the car which indicated that it is a Lotus 1975. Albert verified that the car was registered as a 1975 model. Robin used the car for two months and wanted to sell it as he had to go to Australia to further his studies. The prospective buyer checked the engine of the car and noticed that the chassis number written the year 1970. The car was a 1970 model. Robin wants to repudiate the contract and to get the refund of the purchased price. He also wants to claim damages from Albert.

Advise Robin.

(15 marks)

- (b) *"It is not for a Court to fashion the contract for the parties, or to frame terms that the parties should have made in light of the events that have happened."* (Todd v Nicol [1957] SASR 72)

Terms, in fact, may be implied by the court to allow for the unexpressed intentions of the parties to take effect. Explain and discuss with reference to decided cases.

(10 marks)

(Total: 25 marks)

QUESTION 4

- (a) Messi, a minor, took a personal loan of RM5,000 for his brother's education in June 2016 from David. Messi told David that he was 18 years old. Messi was suffering an illness that makes him forgetful of his own words and action. At the time of executing the agreement, he was of unsound mind. However, David did not have any knowledge of Messi's unsound mind as Messi appeared to be normal. Furthermore, Messi did not remember that he took a personal loan from David. David intends to sue Messi to protect his rights. Advise David.

(10 marks)

Continued...

- (b) A basic rule in the law of contract is that only those who are parties to the contract can sue and be sued on it. Explain this basic rule in relation to the law on privity of Contracts Act 1950 (Revised 1974) and Common Law.

(15 marks)

(Total: 25 marks)

QUESTION 5

- (a) Jebat had been granted a forest licence. Later, Jebat entered into an agreement with Raymond whereby Jebat's rights under the licence were assigned to Raymond. Raymond would fell and remove the timber. Further, Raymond would pay Jebat RM50 per ton of forest timber fell and removed. Raymond did not have any knowledge of the existing law that stated the licences given under the law could not be transferred. Later, Raymond was not allowed to continue his work in the forest and Jebat refused to return the profit received from the work done by Raymond.

Advise Raymond.

(15 marks)

- (b) A mistake of fact made by both parties to the agreement may occur in some circumstances.

Explain and discuss with reference to decided cases.

(10 marks)

(Total: 25 marks)

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